



ARIZONA STATE RETIREMENT SYSTEM

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Paul Matson
Director

MINUTES OF A MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM OPERATIONS COMMITTEE

HELD ON
Thursday, December 10, 2009
2:30 p.m., Arizona Time

The Operations Committee (OC) of the Arizona State Retirement System (ASRS) met in regular session in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, Arizona 85012. Mr. Steven Zeman, Chair, called the meeting to order at 2:30 p.m.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Steven Zeman, Chair
Mr. Michael Townsend, Vice-Chair (Via Teleconference) (Arrived at 2:33 p.m.)
Dr. Keith Meredith
Mr. David Byers

A quorum of the Committee was present for the purpose of conducting business.

2. Approval of the Minutes of the November 5, 2009 OC Meeting

Motion: Mr. David Byers moved the minutes of the November 5, 2009, OC meeting be adopted. Dr. Keith Meredith seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

Mr. Michael Townsend joined the meeting via teleconference at 2:33 p.m.

3. Presentation, Discussion and Appropriate Action Regarding the ASRS Annual External Financial Audit

Mr. Anthony Guarino, Deputy Director and Chief Operations Officer, introduced Mr. Corey Arvizu, Partner, Heinfeld Meech & Company, who addressed the Committee regarding the annual ASRS External Financial Audit performed by his firm. Mr. Arvizu said there were no findings to report to the Committee as the ASRS will receive an unqualified Independent Auditor's Report for the June 30, 2009 financial statements. He noted some of the methodology used in the audit and also praised the staff of the ASRS Financial Services Division.

4. Presentation, Discussion and Appropriate Action Regarding Corrections Officers Retirement Qualified Domestic Relations Orders

Mr. Anthony Guarino introduced Ms. Lisa King, Member Advocate, who led a discussion regarding Qualified Domestic Relations Orders (QDRO) from former ASRS members who transferred to the Corrections Officers Retirement Plan (CORP). Ms. King said four ASRS members had QDROs on file with the ASRS when they were mistakenly allowed to transfer to CORP, but those QDROs had no stipulation allowing the transfer of those funds to another retirement plan. She stated the ASRS attempted to correct the issue by sending letters to the four members requesting they submit amended QDROs allowing the funds to be transferred, but after failing to hear from them, the ASRS petitioned CORP to reverse the transfer. CORP refused that request.

Ms. King said the ASRS has subsequently contacted the alternate payees on those accounts and alerted them to the situation. She said since that mailing, one member has submitted the amended QDRO, one member passed away without an amended QDRO, and two members have taken no action. Mr. Tom McClory, Assistant Attorney General, addressed the Committee regarding potential ASRS liability. Ms. King said the agency is still considering various options to rectify the situation. She said she would keep the Committee updated as warranted.

5. Presentation, Discussion and Appropriate Action Regarding Performance in the ASRS Member Services Division

Mr. Anthony Guarino introduced Mr. Joseph Bonno, Member Services Administrator, who facilitated a presentation to the Committee regarding the performance of the Member Services Division (MSD) for Fiscal Year 2009. Several of the MSD team leads addressed the Committee on the various aspects of MSD performance, focusing on the strategic objectives, fiscal year comparisons, initiatives for 2010, and various accomplishments.

The discussion focused on the various departments within MSD. Mr. Bonno provided information on the Member Service Advisor Center. Ms. Sarah Korish, Member Services Administrator, addressed performance in the Production area of MSD. Ms. Julie Lockwood, Member Services Administrator, discussed the Outreach program. Mr. Mike Hostetler, Management Analyst, talked about Member Appeals including email and written correspondence. Ms. Lisa King discussed her position as Member Advocate and the benefits that position provided to members and retirees of the ASRS.

6. Presentation, Discussion and Appropriate Action Regarding ASRS Pension Payroll Advices

Mr. Guarino introduced Ms. Nancy Bennett, Assistant Director, FSD, and Ms. Sara Orozco, Manager, Strategic Planning and Analysis, who presented the Committee with several staff proposals for changing the frequency and methodology of mailing remittance advices to retirees being paid electronically (via direct deposit). After a review of the various options, the consensus of the Committee was to proceed with staff's suggestion to mail payment advices only when the pension payment amount changes and provide an additional year-end summary for each account unless the retiree opts out of receiving any advices. Committee members also suggested the implementation of an Interactive Voice Response system for retirees who wish to check on the amount of their electronic deposit via telephone.

Mr. Byers departed the meeting at 4:16 p.m.

7. Presentation, Discussion and Appropriate Action Regarding an Update of the ASRS Budget

Mr. Guarino introduced Ms. Martha Rozen, Chief of Administrative Services, who presented a brief update of the ASRS budget. She discussed both the appropriated budget and the continuously appropriated funds noting various expenses and projections.

8. Review of Recently Conducted Audits

- **Audit Follow Up – Health Insurance, Credited Service, Phoenix Union High School District, Paradise Valley Unified School District, Buckeye Unified High School District**

Mr. Bernard Glick, ASRS Chief Internal Auditor, updated the Committee on recently conducted internal audits of Health Insurance and Credited Service as well as three employer audits: Phoenix Union High School District, Paradise Valley Unified School District, and Buckeye Unified High School District. With regard to the internal audits, Mr. Glick stated that all issues presented in the original audits were resolved, partially resolved or pending. For the three school districts, Mr. Glick noted that all had taken steps to resolve the findings in the original audits, but noted that in some cases additional issues were discovered.

Mr. Townsend departed the meeting at 4:36 p.m. Lacking a quorum, the meeting proceeded as informational only.

9. Presentation, Discussion and Appropriate Action Regarding the 2010 OC Calendar

Mr. Guarino presented a proposed 2010 OC meeting calendar to the Committee members. He stated that he had a request from one of the members to move the February date and said staff would find an alternative date and poll the Committee members for their consent.

10. Request for Future Agenda Items

There were no requests for future agenda items.

11. Call to the Public

No members of the public addressed the Committee.

12. Adjournment of the OC

Mr. Steven Zeman adjourned the meeting at 4:40 p.m.

Respectfully Submitted by,

Zachary Kucera
Committee Secretary

Date

Anthony Guarino
Deputy Director and Chief Operations Officer

Date